

BENNETT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND SCHEDULE OF FINDINGS

JUNE 30, 2014

BENNETT COMMUNITY SCHOOL DISTRICT

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BENNETT COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
David Rixe	Board President	2013
Chad Petersen	Board Member	2013
Devin Moeller	Board Member	2013
Brian Banta	Board Member	2013
Ross Kleppe	Board Member	2015
<b>(After September 2013 Election)</b>		
Chad Petersen	Board President	2017
Devin Moeller	Board Member	2015
Ross Kleppe	Board Member	2015
Lisa Syring	Board Member	2017
Brian Banta	Board Member	2017
<b>School Officials</b>		
John Sauer	Superintendent	2014
Lonna Moeller	District Secretary/Treasuer	Indefinite
Brian Gruhn	Attorney	Indefinite

# Kay L. Chapman, CPA PC

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Muscatine, Iowa 52761  
563-264-1385  
kchapman@cpakay.com

## Independent Auditor's Report

To the Board of Education  
Bennett Community School District:

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bennett Community School District, Bennett, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bennett Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 14 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bennett Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 18, 2015 on my consideration of Bennett Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Bennett Community School District's internal control over financial reporting and compliance.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
March 18, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Bennett Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,960,689 in fiscal 2013 to \$2,233,454 in fiscal 2014, and General Fund expenditures decreased from \$2,087,837 in fiscal 2013 to \$2,086,767 in fiscal 2014. The District's General Fund balance increased from \$329,673 in fiscal 2013 to \$476,360 in fiscal 2014, a 45% increase.
- \* The decrease in General Fund revenues was attributable to a decrease in revenue in several areas, but the main reason was because in FY13 we transferred \$68,716.01 from the Debt Service fund to the General Fund since our debt was paid off. The increase in expenditures is attributable to a gradual increase in salaries, building and transportation costs, as well as open enrollment and special education costs. The reason the General Fund balance decreased is because the increase in expenditures was greater than the increase in revenues.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Bennett Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bennett Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the



year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
***Bennett Community School District Annual Financial Report***

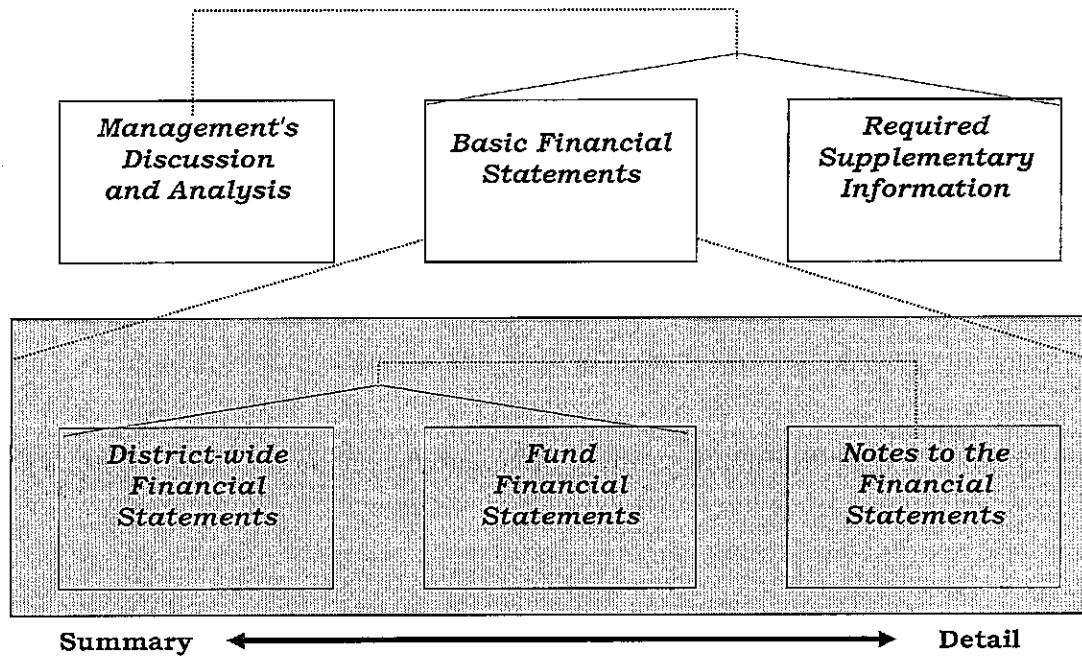


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide	Fund Statements	
	Statements	Governmental Funds	Proprietary Fund
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ Liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net

position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. During fiscal 2014, the District had one enterprise fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net position, statement of revenues, expenses and changes in fund net position and a statement of cash flows.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3

### Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Current and other assets	\$2,784,838	\$2,700,869	\$ 2,912	\$ 2,124	\$2,787,750	\$2,702,993	3.14%
Capital assets	<u>755,239</u>	<u>545,303</u>	<u>6,614</u>	<u>5,423</u>	<u>761,853</u>	<u>550,726</u>	38.34%
Total assets	<u>3,540,077</u>	<u>3,246,172</u>	<u>9,526</u>	<u>7,547</u>	<u>3,549,603</u>	<u>3,253,719</u>	9.09%
Long-term liabilities	199,964	52,204	-	-	199,964	52,204	283.04%
Other liabilities	<u>200,954</u>	<u>300,052</u>	<u>288</u>	<u>177</u>	<u>201,242</u>	<u>1,287,570</u>	-84.37%
Total liabilities	<u>400,918</u>	<u>352,256</u>	<u>288</u>	<u>177</u>	<u>401,206</u>	<u>1,339,774</u>	-70.05%
Deferred inflows of resources	<u>1,137,642</u>	<u>987,341</u>	<u>-</u>	<u>-</u>	<u>1,137,642</u>	<u>1,287,570</u>	-11.64%
Net position							
Net investment in							
capital assets	610,982	545,303	6,614	5,423	617,596	550,726	12.14%
Restricted	1,101,767	1,089,840	-	-	1,101,767	1,089,840	1.09%
Unrestricted	<u>288,768</u>	<u>271,432</u>	<u>2,624</u>	<u>1,947</u>	<u>291,392</u>	<u>273,379</u>	6.59%
Total net position	<u>\$2,001,517</u>	<u>\$1,906,575</u>	<u>\$ 9,238</u>	<u>\$ 7,370</u>	<u>\$2,010,755</u>	<u>\$1,913,945</u>	5.06%

The District's combined net position increased by approximately 5%, or \$96,810 over the prior year. The largest portion of the District's net position is the restricted net position. One portion of net position is Invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$11,927, or approximately 1% over the prior year. The increase was due to a combination of the PPEL and management funds. Both funds had a decrease in expenses and the management fund had a significant increase in revenues due to levying property taxes for that fund which had not been levied in FY12.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$18,013, or

approximately 7%. This increase in unrestricted net position was a result of general expenses exceeding general revenues throughout the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

	Change in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues							
Program revenues							
Charges for service	\$ 114,913	\$ 95,088	\$ 45,250	\$ 44,747	\$ 160,163	\$ 139,835	14.54%
Operating grants	307,394	249,326	21,748	20,242	329,142	269,568	22.10%
General revenues							
Property tax	1,011,655	1,108,851	-	-	1,011,655	1,108,851	-8.77%
Statewide sales, services and use tax	171,565	151,651	-	-	171,565	151,651	13.13%
Unrestricted state grants	725,530	599,785	-	-	725,530	599,785	20.97%
Contributions and donations	11,215	3,516	-	-	11,215	3,516	218.97%
Unrestricted investment earnings	1,382	1,421	-	-	1,382	1,421	-2.74%
Other	4,008	7,385	-	-	4,008	7,385	-45.73%
Total revenues	<u>2,347,662</u>	<u>2,217,023</u>	<u>66,998</u>	<u>64,989</u>	<u>2,414,660</u>	<u>2,282,012</u>	5.81%
Program expenses							
Governmental activities							
Instruction	1,601,320	1,625,790	-	-	1,601,320	1,625,790	-1.51%
Support services	612,880	530,890	-	-	612,880	530,890	15.44%
Non-instructional programs	1,716	1,586	65,130	68,396	66,846	69,982	-4.48%
Other expenses	<u>130,709</u>	<u>133,313</u>	<u>-</u>	<u>-</u>	<u>130,709</u>	<u>133,313</u>	-1.95%
Total expenses	<u>2,346,625</u>	<u>2,291,579</u>	<u>65,130</u>	<u>68,396</u>	<u>2,411,755</u>	<u>2,359,975</u>	2.19%
Gain on sale of capital asset	<u>93,905</u>	<u>16,808</u>	<u>-</u>	<u>-</u>	<u>93,905</u>	<u>16,808</u>	458.69%
Change in net position	94,942	(57,748)	1,868	(3,407)	96,810	(61,155)	-258.30%
Net position beginning of year	<u>1,906,575</u>	<u>1,964,323</u>	<u>7,370</u>	<u>10,777</u>	<u>1,913,945</u>	<u>1,975,100</u>	-3.10%
Net position end of year	<u>\$ 2,001,517</u>	<u>\$ 1,906,575</u>	<u>\$ 9,238</u>	<u>\$ 7,370</u>	<u>\$ 2,010,755</u>	<u>\$ 1,913,945</u>	5.06%

In fiscal 2014, property tax and unrestricted state grants account for 74% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were \$2,414,660 of which \$2,347,662 was for governmental activities and \$66,998 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6% increase in revenues and a 2% increase in expenses. Unrestricted state grants increased \$125,745 and operating grants increased \$59,574 to fund expenditures. The increase in expenses is related to increases in several different operational areas

including instruction and other expenses. There was also a slight increase in expenditures for non-instructional programs.

### Governmental Activities

Revenues for governmental activities for the year ended June 30, 2014 were \$2,347,662 and expenses were \$2,346,625. The revenue was less than the previous year largely due to a decrease in contributions and donations, operating grants, and other revenues. Expenses were higher than the previous year with increases in instruction and other expenses.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 1,601,320	\$ 1,625,790	-1.5%	\$ 1,255,495	\$ 1,353,017	-7.2%
Support services	612,880	530,890	15.4%	612,138	530,890	15.3%
Non-instructional programs	1,716	1,586	8.2%	1,716	1,586	8.2%
Other expenses	<u>130,709</u>	<u>133,313</u>	-2.0%	<u>54,969</u>	<u>61,672</u>	-10.9%
Total expenses	<u>\$ 2,346,625</u>	<u>\$ 2,291,579</u>	2.4%	<u>\$ 1,924,318</u>	<u>\$ 1,947,165</u>	-1.2%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$114,913.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$307,394.
- The net cost of governmental activities was financed with \$1,183,220 in property taxes and \$725,530 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$66,998 representing a 3% increase over the prior year and expenses were \$65,130, a 5% decrease from the prior year. The District's business type activities consist of the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income.

The decrease in revenues from 2013 was due to decreased revenue from parents and from donations and contributions. The increase in expenditures was due to a slight increase in salaries.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Bennett Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,447,726, slightly above last year's ending fund balances of \$1,319,055. The primary reason for the decrease in combined fund balances in fiscal 2014 is due largely to the decrease in revenue and increase in expenses in the general fund.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of many factors. The main factors identified are a decrease in revenues and an increase in open enrollment and special education costs.
- The General Fund balance increased from \$329,673 to \$476,360 due to a decrease in revenues and other factors as explained above.
- The Physical Plant and Equipment Levy Fund balance increased from \$291,681 in 2012 to \$355,483 in 2014, due to a decrease in revenue from donations, grants and fundraisers.
- The Statewide Sales, Services and Use Tax Fund balance decreased from \$633,071 in 2013 to \$551,752 in 2014. The primary reason for this increase was that more revenues were received than expended. There was only one major expense from this fund during fiscal 2014.

### **Proprietary Fund Highlights**

Enterprise Fund net position increased from \$7,370 at June 30, 2013 to \$9,238 at June 30, 2014, representing an increase of approximately 26%. The District had a slight increase in the prices for breakfasts and lunches in 2014. The decrease was due to decreased revenue from parents and donations and contributions and a slight increase in salaries.

## **BUDGETARY HIGHLIGHTS**

Bennett Community School District amended its annual budget once during the year ended June 30, 2014, increasing budgeted expenditures by \$84,856 due to unexpected expenditures.

The District's revenues were \$144,087 more than budgeted revenues, a variance of approximately 6%.

Total expenditures were \$46,970 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. As a result, the District's certified budget should always exceed actual expenditures for the year; unfortunately, the expenditures were greater this year in the areas specified below.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services, non-instructional programs and other expenditures functions due to spending more in those areas than budgeted; specifically in the areas of building administration, facilities acquisition and construction, and plant operation and maintenance.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2014, the District had invested \$761,853, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 38% over last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$55,038.

The original cost of the District's capital assets was \$2,294,179. Governmental funds account for \$2,240,502, with the remainder of \$53,677 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category, which increased from \$225,868 in 2013 to \$415,200 in 2014. This increase was a result of some major purchases made during the 2014 fiscal year, including a bus.

Figure A-6

Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Land	\$ 2,210	\$ 2,210	\$ -	\$ -	\$ 2,210	\$ 2,210	0.00%
Land improvements	17,200	17,200	-	-	17,200	17,200	0.00%
Buildings and improvements	327,243	305,449	-	-	327,243	305,449	7.14%
Furniture and equipment	<u>408,586</u>	<u>220,444</u>	<u>6,614</u>	<u>5,423</u>	<u>415,200</u>	<u>225,868</u>	83.82%
Totals	<u>\$ 755,239</u>	<u>\$ 545,303</u>	<u>\$ 6,614</u>	<u>\$ 5,423</u>	<u>\$ 761,853</u>	<u>\$ 550,727</u>	38.34%

### Long-Term Debt

At June 30, 2014, the District had \$199,964 in total long-term debt outstanding. This represents an increase of approximately 283% over last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding



general obligation debt is significantly below its constitutional debt limit of approximately \$4.5 million.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	District		Change
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Capital leases	\$144,257	\$ -	100.00%
Early retirement	10,000	15,000	-33.33%
Net OPEB liability	<u>45,707</u>	<u>37,204</u>	22.86%
Total	<u>\$199,964</u>	<u>\$ 52,204</u>	283.04%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced declining enrollment for the last several years. Projections are for it to stabilize or continue to decline gradually. Grades PreK-6 will be impacted if the decline in enrollment accelerates.
- The District has a five-year whole grade sharing agreement with the Durant School District and the Tipton School District ending in 2016. Grades 7-12 will be serviced by the Durant and Tipton School Districts. The transition has had an economic impact on the District, with payment of 85% of the cost per pupil for those five years coming from the General Fund and 15% of the cost per pupil coming from the LOST fund. Also, transportation costs are paid by those respective districts. (I removed a sentence in this section.)
- The District negotiated a two-year contract with the Bennett Education Association which is in its final year for the 2014-2015 school year. There will be no increase in the health insurance premiums for the 2014-2015 plan year. Those teachers who elect family coverage are paying \$50.00 per month.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lonna Moeller, Board Secretary/Treasurer, Bennett Community School District, PO Box D, 300 Cedar Street, Bennett, Iowa, 52721.

## Basic Financial Statements

BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2014

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 1,530,650	\$ 1,801	\$ 1,532,451
Receivables			
Property tax			
Delinquent	12,754	-	12,754
Succeeding year	1,137,642	-	1,137,642
Accounts receivable	12,438	4	12,442
Due from other governments	91,354	-	91,354
Inventories	-	1,107	1,107
Non-depreciable capital assets	19,410	-	19,410
Capital assets, net of accumulated depreciation	735,829	6,614	742,443
Total assets	<u>3,540,077</u>	<u>9,526</u>	<u>3,549,603</u>
<b>Liabilities</b>			
Accounts payable	128,967	288	129,255
Salaries and benefits payable	70,503	-	70,503
Accrued interest payable	1,484	-	1,484
Long-term liabilities			
Portion due within one year			
Capital leases payable	27,293	-	27,293
Early retirement payable	5,000	-	5,000
Portion due after one year			
Capital leases payable	116,964	-	116,964
Early retirement payable	5,000	-	5,000
Net OPEB liability	45,707	-	45,707
Total liabilities	<u>400,918</u>	<u>288</u>	<u>401,206</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	<u>1,137,642</u>	<u>-</u>	<u>1,137,642</u>
<b>Net Position</b>			
Net investment in capital assets	610,982	6,614	617,596
Restricted for			
Categorical funding	140,401	-	140,401
Management levy	45,042	-	45,042
Physical plant and equipment levy	355,483	-	355,483
Student activities	9,089	-	9,089
School infrastructure	551,752	-	551,752
Unrestricted	288,768	2,624	291,392
Total net position	<u>\$ 2,001,517</u>	<u>\$ 9,238</u>	<u>\$ 2,010,755</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2014

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b><u>Functions/Programs</u></b>							
Governmental activities							
Instruction							
Regular instruction	\$ 1,283,160	\$ 85,518	\$ 222,106	\$ -	\$ (975,536)	\$ -	\$ (975,536)
Special instruction	217,448	21,078	8,806	-	(187,564)	-	(187,564)
Other instruction	100,712	8,317	-	-	(92,395)	-	(92,395)
	<u>1,601,320</u>	<u>114,913</u>	<u>230,912</u>	<u>-</u>	<u>(1,255,495)</u>	<u>-</u>	<u>(1,255,495)</u>
Support services							
Student	27,451	-	-	-	(27,451)	-	(27,451)
Instructional staff	23,531	-	742	-	(22,789)	-	(22,789)
Administration	239,156	-	-	-	(239,156)	-	(239,156)
Operation and maintenance of plant	154,277	-	-	-	(154,277)	-	(154,277)
Transportation	168,465	-	-	-	(168,465)	-	(168,465)
	<u>612,880</u>	<u>-</u>	<u>742</u>	<u>-</u>	<u>(612,138)</u>	<u>-</u>	<u>(612,138)</u>
	<u>1,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,716)</u>	<u>-</u>	<u>(1,716)</u>
Non-instructional programs							
Other expenses							
Facilities acquisition	27,007	-	-	-	(27,007)	-	(27,007)
Long-term debt interest	1,484	-	-	-	(1,484)	-	(1,484)
AEA flowthrough	75,740	-	75,740	-	-	-	-
Depreciation (unallocated) *	26,478	-	-	-	(26,478)	-	(26,478)
	<u>130,709</u>	<u>-</u>	<u>75,740</u>	<u>-</u>	<u>(54,969)</u>	<u>-</u>	<u>(54,969)</u>
	<u>2,346,625</u>	<u>114,913</u>	<u>307,394</u>	<u>-</u>	<u>(1,924,318)</u>	<u>-</u>	<u>(1,924,318)</u>
Total governmental activities							

See notes to financial statements.

**BENNETT COMMUNITY SCHOOL DISTRICT**

**Statement of Activities**

**For the Year Ended June 30, 2014**

**Exhibit B**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b><u>Functions/Programs (continued)</u></b>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 65,130	\$ 21,748	\$ -	\$ -	\$ 1,868	\$ 1,868
Total	<u>\$ 2,411,755</u>	<u>\$ 329,142</u>	<u>\$ -</u>	<u>(1,924,318)</u>	<u>1,868</u>	<u>(1,922,450)</u>
<b><u>General Revenues</u></b>						
Property tax levied for						
General purposes				921,859	-	921,859
Capital outlay				89,796	-	89,796
Statewide sales, services and use tax				171,565	-	171,565
Unrestricted state grants				725,530	-	725,530
Contributions and donations				11,215	-	11,215
Unrestricted investment earnings				1,382	-	1,382
Other				4,008	-	4,008
Special item - gain on sale of capital asset				93,905	-	93,905
Total general revenues and special item				<u>2,019,260</u>	<u>-</u>	<u>2,019,260</u>
Change in net position				94,942	1,868	96,810
Net position beginning of year				1,906,575	7,370	1,913,945
Net position end of year				<u>\$ 2,001,517</u>	<u>\$ 9,238</u>	<u>\$ 2,010,755</u>

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

## BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet  
Governmental Funds  
June 30, 2014

		Capital Projects			
		Physical	Statewide	Nonmajor	
		Plant and	Sales,	Special	
		Equipment	Services and	Revenue	
	<u>General</u>	<u>Levy</u>	<u>Use Tax</u>	<u>Funds</u>	<u>Total</u>
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 614,538	\$354,201	\$498,342	\$ 63,569	\$1,530,650
Receivables					
Property tax					
Delinquent	10,967	1,282	-	505	12,754
Succeeding year	982,838	94,804	-	60,000	1,137,642
Accounts receivable	11,973	-	-	465	12,438
Due from other governments	17,770	-	73,584	-	91,354
Total assets	<u>\$1,638,086</u>	<u>\$450,287</u>	<u>\$571,926</u>	<u>\$ 124,539</u>	<u>\$2,784,838</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities					
Accounts payable	\$ 108,385	\$ -	\$ 20,174	\$ 408	\$ 128,967
Salaries and benefits payable	70,503	-	-	-	70,503
Total liabilities	<u>178,888</u>	<u>-</u>	<u>20,174</u>	<u>408</u>	<u>199,470</u>
Deferred inflows of resources					
Succeeding year property tax	<u>982,838</u>	<u>94,804</u>	<u>-</u>	<u>60,000</u>	<u>1,137,642</u>
Fund balance					
Restricted for					
Categorical funding	140,401	-	-	-	140,401
Physical plant and equipment	-	355,483	-	-	355,483
School infrastructure	-	-	551,752	-	551,752
Student activities	-	-	-	9,089	9,089
Management levy purposes	-	-	-	55,042	55,042
Unassigned	335,959	-	-	-	335,959
Total fund balance	<u>476,360</u>	<u>355,483</u>	<u>551,752</u>	<u>64,131</u>	<u>1,447,726</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$1,638,086</u>	<u>\$450,287</u>	<u>\$571,926</u>	<u>\$ 124,539</u>	<u>\$2,784,838</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2014

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$1,447,726</b>
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	755,239
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,484)
Long-term liabilities, including termination benefits, capital leases and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(199,964)</u>
<b>Net position of governmental activities</b>	<b><u>\$2,001,517</u></b>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

Exhibit E

		Capital Projects		Nonmajor Special Revenue Funds	Total
		Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax		
Revenues	<u>General</u>				
Local sources					
Local tax	\$ 980,968	\$ 89,796	\$ -	\$ 35,034	\$1,105,798
Tuition	75,087	-	-	-	75,087
Other	43,440	5,423	482	8,376	57,721
Intermediate sources	5,000	-	-	-	5,000
State sources	965,758	-	171,565	-	1,137,323
Federal sources	62,443	-	-	-	62,443
Total revenues	<u>2,132,696</u>	<u>95,219</u>	<u>172,047</u>	<u>43,410</u>	<u>2,443,372</u>
Expenditures					
Current					
Instruction					
Regular	1,193,562	2,095	85,020	3,288	1,283,965
Special	216,696	-	-	-	216,696
Other	94,860	-	-	5,504	100,364
	<u>1,505,118</u>	<u>2,095</u>	<u>85,020</u>	<u>8,792</u>	<u>1,601,025</u>
Support services					
Student	27,364	-	-	-	27,364
Instructional staff	23,224	-	-	-	23,224
Administration	210,834	23,180	-	12,081	246,095
Operation & maintenance	133,624	-	1,636	14,035	149,295
Transportation	110,863	-	206,683	7,285	324,831
	<u>505,909</u>	<u>23,180</u>	<u>208,319</u>	<u>33,401</u>	<u>770,809</u>
Non-instructional programs	-	-	-	1,716	1,716
Other expenditures					
Facilities acquisition	-	6,142	96,142	-	102,284
AEA flowthrough	75,740	-	-	-	75,740
	<u>75,740</u>	<u>6,142</u>	<u>96,142</u>	<u>-</u>	<u>178,024</u>
Total expenditures	<u>2,086,767</u>	<u>31,417</u>	<u>389,481</u>	<u>43,909</u>	<u>2,551,574</u>

See notes to financial statements.



BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

Exhibit E

	Capital Projects			Nonmajor	
	General	Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax	Special Revenue Funds	Total
Excess (deficiency) of revenues over (under) expenditures	\$ 45,929	\$ 63,802	\$ (217,434)	\$ (499)	\$ (108,202)
Other financing sources (uses)					
Interfund operating transfers in	8,142	-	-	-	8,142
Proceeds from disposal of capital assets	92,616	-	-	-	92,616
Proceeds from issuance of capital lease	-	-	144,257	-	144,257
Interfund operating transfers (out)	-	-	(8,142)	-	(8,142)
Total other financing sources	<u>100,758</u>	<u>-</u>	<u>136,115</u>	<u>-</u>	<u>236,873</u>
Change in fund balances	146,687	63,802	(81,319)	(499)	128,671
Fund balance, beginning of year	<u>329,673</u>	<u>291,681</u>	<u>633,071</u>	<u>64,630</u>	<u>1,319,055</u>
Fund balance, end of year	<u>\$ 476,360</u>	<u>\$355,483</u>	<u>\$ 551,752</u>	<u>\$ 64,131</u>	<u>\$1,447,726</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2014

Exhibit F

**Change in fund balances - total governmental funds** **\$ 128,671**

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense for the current year are as follows:

Expenditures for capital assets	\$263,947	
Depreciation expense	<u>(54,011)</u>	209,936

Certain revenues not collected for several months after year-end are not considered available revenue and are recongized as deferred inflows of resources in the governmental funds. (94,421)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. (144,257)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	5,000	
Other postemployment benefits	<u>(8,503)</u>	<u>(3,503)</u>

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (1,484)

**Change in net position of governmental activities** **\$ 94,942**

BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
Proprietary Fund  
June 30, 2014

Exhibit G

	<u>Nonmajor School Nutrition</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 1,801
Accounts receivable	4
Inventories	<u>1,107</u>
Total current assets	2,912
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>6,614</u>
Total assets	<u>9,526</u>
 <b>Liabilities</b>	
Current liabilities	
Accounts payable	<u>288</u>
 <b>Net Position</b>	
Investment in capital assets	6,614
Unrestricted	<u>2,624</u>
Total net position	<u>\$ 9,238</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2014

Exhibit H

	<u>Nonmajor School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$45,250</u>
Operating expenses	
Non-instructional programs	
Food service operations	
Salaries and benefits	23,526
Benefits	3,989
Purchased services	3,056
Supplies	33,532
Depreciation	<u>1,027</u>
Total operating expenses	<u>65,130</u>
Operating loss	<u>(19,880)</u>
Non-operating revenues	
State sources	373
Federal sources	<u>21,375</u>
Total non-operating revenues	<u>21,748</u>
Change in net position	1,868
Net position beginning of year	<u>7,370</u>
Net position end of year	<u>\$ 9,238</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2014

Exhibit I

	<u>Nonmajor School Nutrition</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 45,257
Cash payments to employees for services	(27,515)
Cash payments to suppliers for goods and services	(34,483)
Net cash used in operating activities	<u>(16,741)</u>
Cash flows from non-capital financing activities	
State grants received	373
Federal grants received	18,342
Net cash provided by non-capital financing activities	<u>18,715</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(2,218)
Cash flows from investing activities	<u>-</u>
Net decrease in cash and cash equivalents	(244)
Cash and cash equivalents, beginning of year	2,045
Cash and cash equivalents, end of year	<u>\$ 1,801</u>

**Reconciliation of operating loss to net cash  
used in operating activities**

Operating loss	\$(19,880)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,027
Commodities used	3,033
(Increase) in inventory	(1,039)
Decrease in accounts receivable	7
Increase in accounts payable	111
Net cash used in operating activities	<u>\$(16,741)</u>

**Non-cash investing, capital and related financing activities.**

During the year ended June 30, 2014, the District received \$3,033 of federal commodities.

BENNETT COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2014

**Note 1. Summary of Significant Accounting Policies**

The Bennett Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Bennett, Iowa, and the agricultural territory in Cedar and Scott Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Bennett Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Bennett Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects - Physical Plant and Equipment Levy Fund is used to account for all resources from the regular and voter-approved levy used for major expenditures related to real property and equipment.

The Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales, services and use tax to be expended for school infrastructure purposes.

The District reports no major proprietary funds. However, it reports one nonmajor proprietary fund, the School Nutrition Fund, which is used to account for the food service operations of the District.

### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	50 years
Improvements to buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable - Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement termination benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2014. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected

within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity - In the governmental fund financial statements, fund equity is classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$45,042 for management levy purposes, \$355,483 for physical plant and equipment, \$9,089 for student activities and \$551,752 for school infrastructure.

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

#### F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **Note 2. Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$169,226 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Iowa Schools Joint Investment Trust is registered with and regulated by the Securities and Exchange Commission.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated AAAm by Standard & Poor's Financial Services.

## **Note 3. Interfund Transfers**

The details of interfund transfers for the year ended June 30, 2014 are as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
	Capital Projects	
General	Statewide Sales, Services and Use Tax	\$ 8,142

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the Statewide Sales, Services and Use Tax Fund to the General Fund was to close out the insurance claim for water damage to the preschool classroom.

#### Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 2,210	\$ -	\$ -	\$ 2,210
Land improvement	<u>17,200</u>	<u>-</u>	<u>-</u>	<u>17,200</u>
Total capital assets, not being depreciated	<u>19,410</u>	<u>-</u>	<u>-</u>	<u>19,410</u>
Capital assets being depreciated:				
Buildings and improvements	1,017,507	36,399	-	1,053,906
Furniture and equipment	<u>939,638</u>	<u>227,548</u>	<u>-</u>	<u>1,167,186</u>
Total capital assets being depreciated	<u>1,957,145</u>	<u>263,947</u>	<u>-</u>	<u>2,221,092</u>
Less accumulated depreciation for:				
Buildings and improvements	712,058	14,605	-	726,663
Furniture and equipment	<u>719,194</u>	<u>39,406</u>	<u>-</u>	<u>758,600</u>
Total accumulated depreciation	<u>1,431,252</u>	<u>54,011</u>	<u>-</u>	<u>1,485,263</u>
Total capital assets being depreciated, net	<u>525,893</u>	<u>209,936</u>	<u>-</u>	<u>735,829</u>
Governmental activities capital assets, net	<u>\$ 545,303</u>	<u>\$ 209,936</u>	<u>\$ -</u>	<u>\$ 755,239</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 51,459	\$ 2,218	\$ -	53,677
Less accumulated depreciation	<u>46,036</u>	<u>1,027</u>	<u>-</u>	<u>47,063</u>
Business type activities capital assets, net	<u>\$ 5,423</u>	<u>\$ 1,191</u>	<u>\$ -</u>	<u>\$ 6,614</u>

Depreciation expense was charged to the following functions:

#### Governmental activities

Instruction	
Regular	\$ 4,537
Support services	
Operation and maintenance of plant	4,551
Transportation	<u>18,445</u>
	27,533
Unallocated depreciation	<u>26,478</u>
Total governmental activities depreciation expense	<u>\$ 54,011</u>

#### Business type activities

Food services	<u>\$ 1,027</u>
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## Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Capital leases	\$ -	\$ 144,257	\$ -	\$ 144,257	\$ 27,293
Termination benefits	15,000	-	(5,000)	10,000	5,000
Net OPEB liability	<u>37,204</u>	<u>10,515</u>	<u>(2,012)</u>	<u>45,707</u>	<u>-</u>
	<u>\$ 52,204</u>	<u>\$ 154,772</u>	<u>\$ (7,012)</u>	<u>\$ 199,964</u>	<u>\$ 32,293</u>

Interest costs incurred and charged to expense on long-term debt was \$1,484 for the year ended June 30, 2014. There were no principal payments made on long-term debt during the year ended June 30, 2014

### Termination Benefits

During the fiscal year ended June 30, 2011, the District offered a voluntary early retirement plan to its licensed employees, who met certain eligibility guidelines. This voluntary early retirement plan is offered annually, at the Board's discretion. Eligible employees were required to be at least age fifty-seven years of age and have completed fifteen years of consecutive contracted full-time service to the District. Employees were required to complete an application, which was approved by the Board of Education. The benefit amount is \$25,000 per retiree. Retirees may also qualify for additional per diem pay for unused sick leave:

- 20 additional days per diem pay for 110-120 unused sick leave days
- 15 additional days per diem pay for 100-109 unused sick leave days
- 10 additional days per diem pay for 90-99 unused sick leave days
- 5 additional days per diem pay for 80-89 unused sick leave days

Benefits are paid in five equal installments over five fiscal years, beginning with the year following retirement. There were \$5,000 of expenditures for termination benefits for the year ended June 30, 2014. At June 30, 2014, the District had obligations to one participant totaling \$10,000. This long-term liability is generally liquidated with funds from the Management Levy.

### Capital Leases

In April and May 2014, the District entered into a capital leases for the purchase of buses. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2014.

	Year Ending June 30,	Bus #4 Lease	Bus #6 Lease	Total
	2015	\$ 17,161	\$ 14,052	\$ 31,213
	2016	55,500	14,052	69,552
	2017	-	52,000	52,000
Minimum lease payments		72,661	80,104	152,765
Less amount representing interest		3,272	5,236	8,508
Present value of minimum lease payments		<u>\$ 69,389</u>	<u>\$ 74,868</u>	<u>\$ 144,257</u>

### **Note 6. Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 5.95%, 5.78% and 5.38% of their annual covered salary and the District is required to contribute 8.93%, 8.67% and 8.07% of annual covered payroll for the years ended June 30, 2014, 2013 and 2012 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$66,581, \$65,898 and \$54,552, respectively, equal to the required contributions for each year.

### **Note 7. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 29 active members, of which 18 waived coverage and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Principal Financial. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District pays for all of active full-time employees' coverage

and a portion of the coverage for active members who are not full-time. Retired participants are assumed to pay 100% of the required premium. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 9,585
Interest on net OPEB obligation	930
Adjustment to annual required contribution	<u>(2,012)</u>
Annual OPEB cost	8,503
Contributions made	<u>-</u>
Increase in net OPEB obligation	8,503
Net OPEB obligation beginning of year	<u>37,204</u>
Net OPEB obligation end of year	<u>\$ 45,707</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed nothing to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 8,753	0.0%	\$ 8,753
2011	\$ 10,221	0.0%	\$ 18,974
2012	\$ 10,067	0.0%	\$ 29,041
2013	\$ 8,163	0.0%	\$ 37,204
2014	\$ 8,503	0.0%	\$ 45,707



Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$74,190, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$74,190. The covered payroll (annual payroll of active employees covered by the plan) was \$722,893 and the ratio of UAAL to covered payroll was 10.3%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$397.29 for single and \$1,219.27 for family. Upon retirement, the retired participant is assumed to pay 100% of the required premium. The salary increase rate was assumed to be 2.75% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **Note 8. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$75,740 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 10. Whole-grade Sharing Agreement**

In July 2005 the Bennett Community School District entered into a whole-grade sharing agreement with Durant Community School District whereby the District began sending their students in grades 7-12 to Durant Community School District for instruction beginning in fiscal 2006. After June 30, 2005, the Bennett Community School District no longer provided instruction within their district for middle school and high school students. Bennett Community School District receives funding from the State of Iowa for these students, who continue to be counted on the District's certified enrollment. In turn, the District pays tuition for these students to Durant Community School District based upon the amount stated in the whole-grade sharing agreement.

#### **Note 11. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

#### **Note 12. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program

Home school assistance program	\$ 7,144
At-risk	11,771
Gifted and Talented	58,591
Beginning teacher mentoring and induction program	921
Evaluator training	6
Teacher salary supplement	10,734
Class size reduction	22,662
Successful Progression for Early Readers	13,206
Educator quality, professional development	4,273
Educator quality, professional development	5,366
Teacher Leadership Grants	<u>5,727</u>
	<u>\$ 140,401</u>

**Note 13. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

## Required Supplementary Information

# BENNETT COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual All Governmental Funds and Proprietary Fund Required Supplementary Information For the Year Ended June 30, 2014

	Governmental Funds		Proprietary Fund	Total	Budgeted Amounts		Final to Actual Variance
	Actual		Actual	Actual	Original	Final	
<b>Revenues</b>							
Local sources	\$ 1,238,606		\$45,250	\$1,283,856	\$1,356,617	\$1,356,617	\$ (72,761)
Intermediate sources	5,000		-	5,000	-	-	5,000
State sources	1,137,323		373	1,137,696	953,916	953,916	183,780
Federal sources	62,443		21,375	83,818	55,750	55,750	28,068
Total revenues	<u>2,443,372</u>		<u>66,998</u>	<u>2,510,370</u>	<u>2,366,283</u>	<u>2,366,283</u>	<u>144,087</u>
<b>Expenditures/Expenses</b>							
Instruction	1,601,025		-	1,601,025	1,850,000	1,850,000	248,975
Support services	770,809		-	770,809	535,170	610,011	(160,798)
Non-instructional programs	1,716		65,130	66,846	47,830	57,845	(9,001)
Other expenditures	178,024		-	178,024	145,818	145,818	(32,206)
Total expenditures/expenses	<u>2,551,574</u>		<u>65,130</u>	<u>2,616,704</u>	<u>2,578,818</u>	<u>2,663,674</u>	<u>46,970</u>
Excess (deficiency) of revenues over (under)							
expenditures/expenses	(108,202)		1,868	(106,334)	(212,535)	(297,391)	191,057
Net other financing sources	<u>236,873</u>		<u>-</u>	<u>236,873</u>	<u>-</u>	<u>-</u>	<u>236,873</u>
Change in fund balance	128,671		1,868	130,539	(212,535)	(297,391)	427,930
Balance, beginning of year	1,319,055		7,370	1,326,425	1,416,784	1,416,784	(90,359)
Balance, end of year	<u>\$ 1,447,726</u>		<u>\$ 9,238</u>	<u>\$1,456,964</u>	<u>\$1,204,249</u>	<u>\$1,119,393</u>	<u>\$337,571</u>

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopt any budget amendment to increase expenditures by \$84,856.

During the year ended June 30, 2014, expenditures in the support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

BENNETT COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan  
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 71,654	\$ 71,654	\$ -	\$ 707,896	10.1%
2011	July 1, 2009	-	75,018	75,018	-	707,591	10.6%
2012	July 1, 2009	-	77,964	77,964	-	658,804	11.8%
2013	July 1, 2012	-	70,899	70,899	-	703,575	10.1%
2014	July 1, 2012	-	74,190	74,190	-	722,893	10.3%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## Supplementary Information



BENNETT COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2014

Schedule 1

	<u>Student Activity</u>	<u>Management Levy</u>	<u>Total</u>
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 9,032	\$ 54,537	\$ 63,569
Receivables			
Property tax			
Delinquent	-	505	505
Succeeding year	-	60,000	60,000
Accounts receivable	465	-	465
Total assets	<u>\$ 9,497</u>	<u>\$ 115,042</u>	<u>\$ 124,539</u>
<b>Liabilities Deferred Inflows of Resources and Fund Balances</b>			
Liabilities			
Accounts payable	\$ 408	\$ -	\$ 408
Total liabilities	<u>408</u>	<u>-</u>	<u>408</u>
Deferred inflows of resources			
Unavailable revenues			
Succeeding year property tax	<u>-</u>	<u>60,000</u>	<u>60,000</u>
Fund balances			
Restricted for			
Student activities	9,089	-	9,089
Management levy purposes	-	55,042	55,042
Total fund balances	<u>9,089</u>	<u>55,042</u>	<u>64,131</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,497</u>	<u>\$ 115,042</u>	<u>\$ 124,539</u>

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2014

Schedule 2

	<u>Student Activity</u>	<u>Management Levy</u>	<u>Total</u>
Revenues			
Local sources			
Local taxes	\$ -	\$ 35,034	\$ 35,034
Other	8,331	45	8,376
Total revenues	<u>8,331</u>	<u>35,079</u>	<u>43,410</u>
Expenditures			
Current			
Instruction			
Regular	-	3,288	3,288
Other	5,504	-	5,504
Total instruction	<u>5,504</u>	<u>3,288</u>	<u>8,792</u>
Support services			
Administration	-	12,081	12,081
Operation and maintenance of plant	-	14,035	14,035
Transportation	-	7,285	7,285
Total support services	<u>-</u>	<u>33,401</u>	<u>33,401</u>
Non-instructional programs	<u>-</u>	<u>1,716</u>	<u>1,716</u>
Total expenditures	<u>5,504</u>	<u>38,405</u>	<u>43,909</u>
Change in fund balances	2,827	(3,326)	(499)
Fund balances, beginning of year	<u>6,262</u>	<u>58,368</u>	<u>64,630</u>
Fund balances, end of year	<u>\$ 9,089</u>	<u>\$ 55,042</u>	<u>\$ 64,131</u>

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2014

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Yearbook	\$ 957	\$ 428	\$ 408	\$ 977
Student council	5,117	1,286	1,119	5,284
Music supplies	-	6,603	3,977	2,626
Interest	<u>188</u>	<u>14</u>	<u>-</u>	<u>202</u>
Totals	<u>\$ 6,262</u>	<u>\$ 8,331</u>	<u>\$ 5,504</u>	<u>\$ 9,089</u>

See accompanying Independent Auditor's Report.

**BENNETT COMMUNITY SCHOOL DISTRICT**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	Modified Accrual Basis									
<b>Revenues</b>										
Local sources										
Local tax	\$1,105,798	\$1,258,639	\$1,298,634	\$1,164,811	\$1,133,788	\$1,071,909	\$1,079,748	\$1,139,265	\$1,100,314	\$1,176,943
Tuition	75,087	61,632	42,448	43,108	27,730	26,665	25,640	35,397	18,964	34,395
Other	57,721	47,889	86,591	58,022	62,289	86,428	113,181	102,757	122,711	124,322
Intermediate sources	5,000	3,600	14,175	-	-	-	-	-	-	-
State sources	1,137,323	801,386	754,672	825,933	537,167	882,724	949,175	854,228	826,719	795,556
Federal sources	62,443	54,995	120,126	118,322	145,607	49,692	29,501	42,307	61,108	76,471
<b>Total revenues</b>	<b>\$2,443,372</b>	<b>\$2,228,141</b>	<b>\$2,316,646</b>	<b>\$2,210,196</b>	<b>\$1,906,581</b>	<b>\$2,117,418</b>	<b>\$2,197,245</b>	<b>\$2,173,954</b>	<b>\$2,129,816</b>	<b>\$2,207,687</b>
<b>Expenditures</b>										
Current										
Instruction										
Regular	\$1,283,965	\$1,271,682	\$1,244,359	\$1,221,909	\$1,244,212	\$1,217,833	\$1,151,235	\$1,124,226	\$1,129,230	\$1,061,298
Special	216,696	259,990	176,582	111,239	122,717	111,420	163,629	196,736	169,487	218,180
Other	100,364	85,165	71,368	67,279	71,259	61,015	54,293	43,174	90,744	217,229
Support services										
Student	27,364	22,622	16,572	19,588	18,866	9,699	9,665	6,325	5,597	27,540
Instructional staff	23,224	21,118	14,532	18,072	21,212	26,726	39,423	20,219	19,845	12,104
Administration	246,095	242,074	310,773	214,056	205,315	214,061	186,590	175,622	220,663	323,714
Operation and maintenance of plant	149,295	146,337	136,027	217,919	119,225	143,055	145,872	122,963	118,335	127,609
Transportation	324,831	168,665	128,801	98,260	175,081	79,249	99,952	78,215	131,348	107,282
Central support	-	-	-	-	-	-	-	-	-	-
Non-instructional programs	1,716	1,586	1,318	899	910	831	748	158	-	-
Other expenditures										
Facilities acquisition	102,284	87,580	84,658	50,908	34,596	63,687	27,335	29,964	37,693	35,027
Long-term debt										
Principal	-	-	-	130,000	40,000	40,000	35,000	35,000	30,000	30,000
Interest and other charges	-	-	-	8,144	9,415	11,515	13,352	15,190	16,765	18,340
AEA flowthrough	75,740	71,641	71,582	81,475	80,045	76,498	75,096	71,569	68,747	68,327
<b>Total expenditures</b>	<b>\$2,551,574</b>	<b>\$2,378,460</b>	<b>\$2,256,572</b>	<b>\$2,239,748</b>	<b>\$2,142,853</b>	<b>\$2,055,589</b>	<b>\$2,002,190</b>	<b>\$1,919,361</b>	<b>\$2,038,454</b>	<b>\$2,246,650</b>

See accompanying Independent Auditor's Report.

# Kay L. Chapman, CPA PC

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Bennett Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bennett Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 18, 2015.

## Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Bennett Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bennett Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Bennett Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I

consider the deficiencies described in Part I of the accompanying Schedule of Findings as items A and B to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bennett Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Bennett Community School District's Responses to Findings

Bennett Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Bennett Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Bennett Community School District during the course of my audit. Should you have any questions concerning any of the about matters, I shall be pleased to discuss them with you at your convenience.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
March 18, 2015

BENNETT COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2014

**Part I. Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE**

No matters were reported.

**SIGNIFICANT DEFICIENCIES**

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- B. Signature Stamp - The District uses a signature stamp for the Board President on checks and other documents. This stamp is maintained and used by the Board Secretary.

Recommendation - The use of a signature stamp does not necessarily result in a deficiency in controls. However, it should be maintained and used by the person whose signature it bears. The use of the Board President's signature stamp by the Board Secretary overrides the requirement for dual signatures on District checks and creates a deficiency in controls.

Response - We will investigate alternatives to our current procedure to correct this control deficiency.

Conclusion - Response accepted.

BENNETT COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2014

**Part II. Other Findings Related to Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the amounts budgeted in the support services, non-instructional programs and other expenditures functions.

Recommendation - The certified budget was amended, but not sufficiently to cover expenditures. The certified budget should have been amended to a sufficient amount in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will amend future budgets, if necessary, to sufficient amounts to ensure that the certified budget is not exceeded.

Conclusion - Response accepted.

2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval, which had not been approved by the Board. However, the maximum authorized deposit amount was not included in the board minutes.

Recommendation - Chapter 12C of the Code of Iowa requires that the names of all authorized depositories and the corresponding authorized maximum deposit limits be included in the board minutes. The District should ensure that the minutes include all required information in compliance with Chapter 12C of the Code of Iowa.

Response - This was an oversight and we will include the required information in the board minutes in compliance with the Code of Iowa.

Conclusion - Response accepted.



BENNETT COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2014

7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and there were no material errors noted in the amounts reported.
11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 633,071
Revenues		
Statewide sales, services and use tax	\$ 171,565	
Other local revenues	482	
Proceeds of capital leases	<u>144,257</u>	316,304
Expenditures/transfers out		
Land		
School infrastructure construction	\$ 96,142	
Equipment	293,339	
Other improvements	<u>8,142</u>	<u>397,623</u>
Ending balance		<u>\$ 551,752</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

BENNETT COMMUNITY SCHOOL DISTRICT

Audit Staff

June 30, 2014

This audit was performed by

Kay Chapman, CPA

Terri Slater, staff accountant